
2003 Healthcare Update

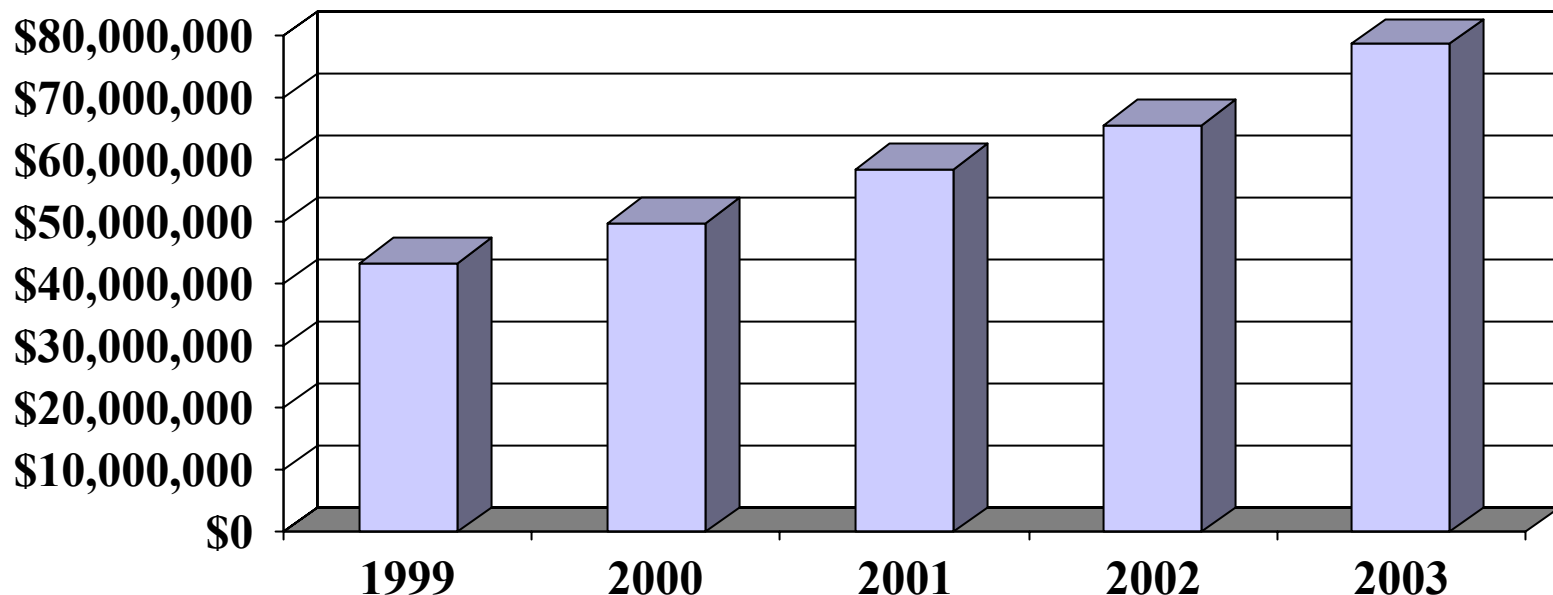
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Rising Healthcare Costs

**Total LANL Health Care Costs for FY 2003 are Projected
to Increase by 81% During the 1999-2003 Period**



Rising Healthcare Costs - National

- US population is living longer and experiencing more chronic illness
 - Older population is demanding direct access to specialists
 - HMOs have been forced to provide more direct access
- New medical technologies give us better quality of life but at a very high cost

Rising HealthCare Costs - National

- Expensive new biotechnology drugs contribute to rising costs
- Increased advertising for new drugs translates to higher costs

Rising Healthcare Costs – LANL

- 26.3% of the Plan members are retirees
 - 40% of the Lab's retiree population is Non-Medicare eligible, so the plan absorbs the entire cost of their healthcare
 - 60% of Retirees are Medicare eligible – cost about the same as an active employee
- 12% of the Plan members are over age 65

Rising Healthcare Costs – LANL

- Demand for diagnostic testing is on the high end of normal compared to national trends
- Use of prescription drugs is on the high end of normal compared to national trends
- Northern New Mexico experiences low competition for some types of providers
- Because co-payments for medical procedures are low, our employees and retirees do not see the actual cost of medical care.

Mitigating Higher Costs

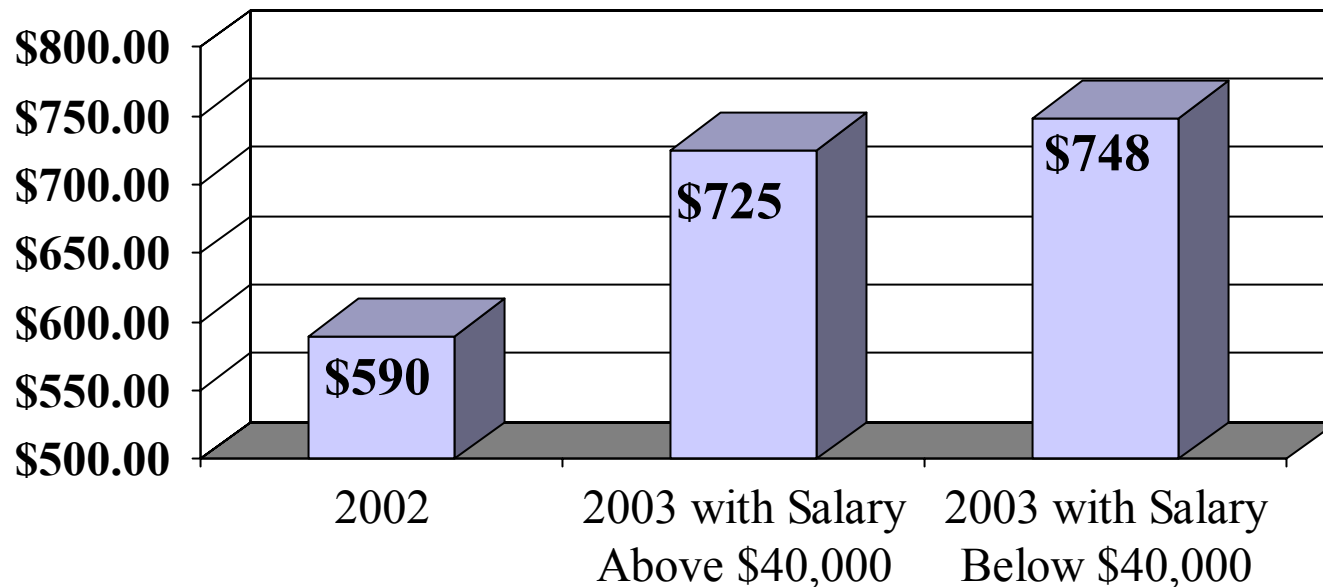
- Steps to combat increasing costs to employees:
 - Increased UC authorization
 - DOE authorization to spend additional monies because LANL's population is different from the rest of UC (effectively a subsidy for employees)
 - New tier for one adult plus child(ren)
 - Children cost less to insure than adults
 - Reduced cost for single parent families
 - Reduced premiums for employees earning less than \$40,000 per year

Mitigating Higher Costs (cont.)

- Plan design changes to increase cost sharing, which ensures that those who use the plans more pay more, while at the same time assuring that everyone will be able to access needed care
- Flexible Spending Accounts (FSA) offer a tax savings to offset increased health care costs
- Taking a firm stance in negotiating with local providers

Increase in LANL Contributions

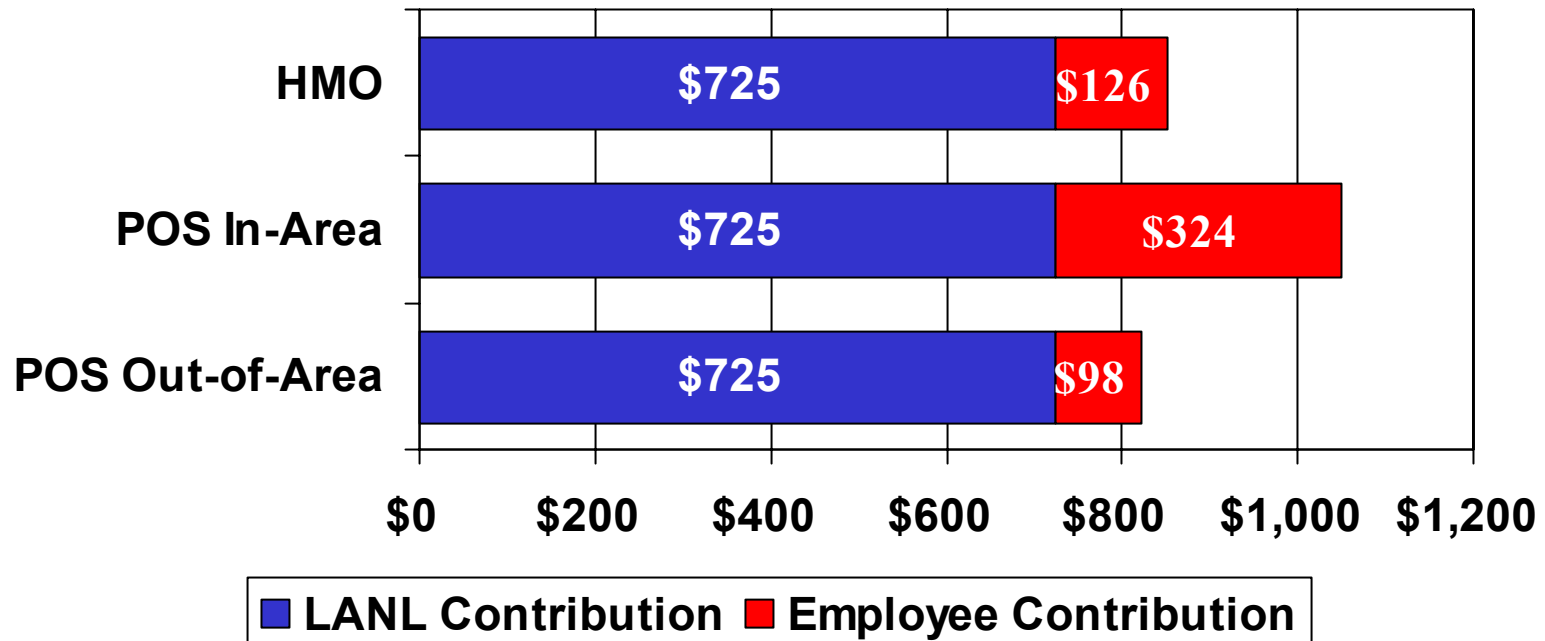
**LANL Contributions to Premium Costs have
Increased Significantly**



*Example shown is family coverage, on HMO and POS Plans

LANL and Employee 2003 Premium Contributions

Family Coverage with a Salary Over \$40,000



Rate Comparisons 2002 vs 2003

<i>Plan</i>	<i>Coverage</i>	<i>2002</i>	<i>2003</i>	<i>\$ Incr</i>	<i>% Incr</i>
BCBS HMO <i>Over \$40,000 Salary</i>	Self	\$ 34.84	\$ 44.00	\$9.16	26.29%
	Self + Adult	\$ 72.74	\$ 91.00	\$18.26	25.10%
	Self + Child(ren)	\$ 95.80	\$ 78.00	(\$17.80)	-18.58%
	Self + Family	\$ 95.80	\$ 126.00	\$30.20	31.52%
BCBS HMO <i>Under \$40,000 Salary</i>	Self	\$ 34.84	\$ 36.00	\$1.16	3.33%
	Self + Adult	\$ 72.74	\$ 75.00	\$2.26	3.11%
	Self + Child(ren)	\$ 95.80	\$ 64.00	(\$31.80)	-33.19%
	Self + Family	\$ 95.80	\$ 103.00	\$7.20	7.52%

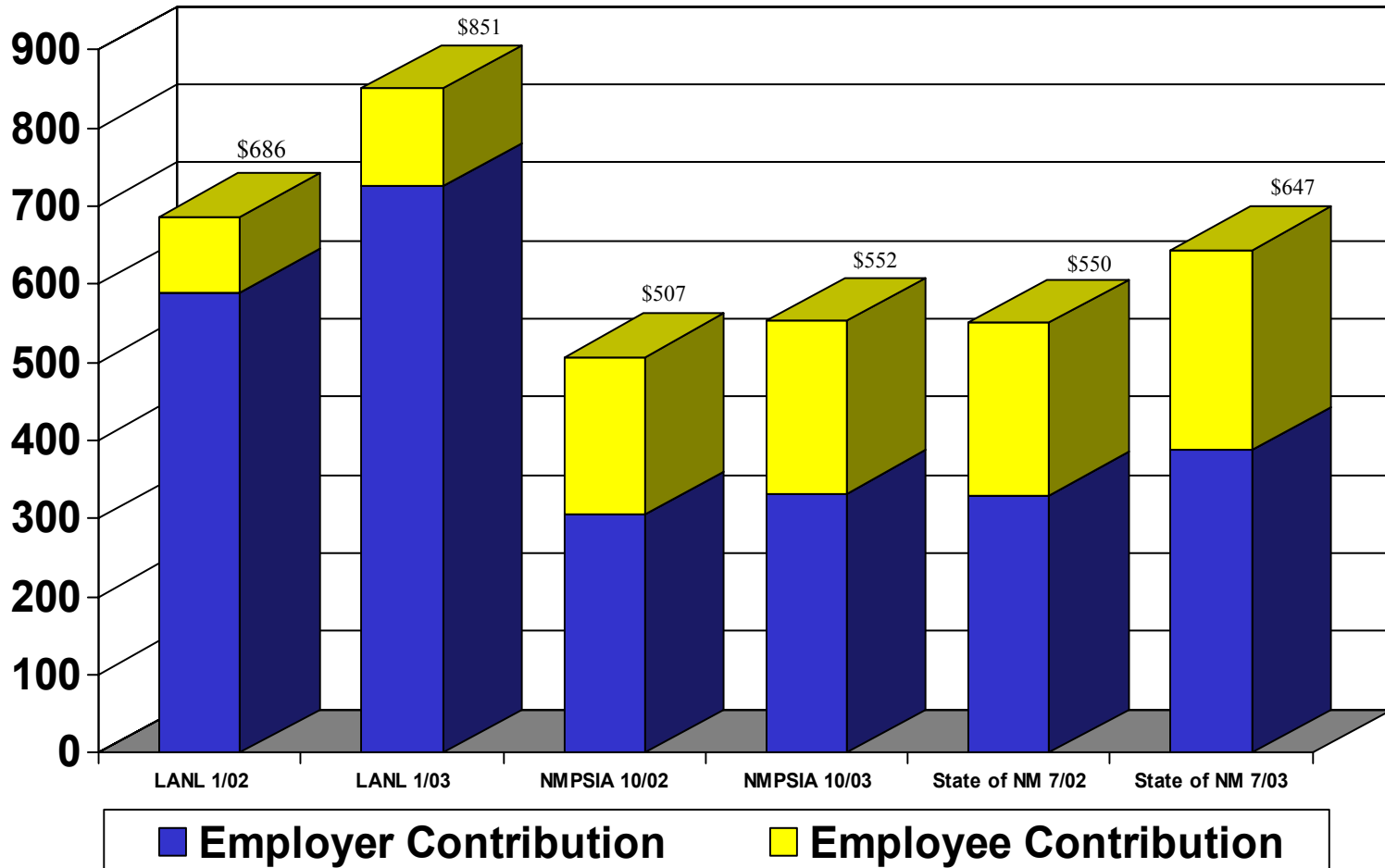
Rate Comparisons 2002 vs 2003

<i>Plan</i>	<i>Coverage</i>	<i>2002</i>	<i>2003</i>	<i>\$Decrease</i>	<i>% Dec.</i>
BCBS POS In-Network <i>Over \$40,000 Salary</i>	Self	\$ 125.40	\$ 112.00	(\$13.40)	-10.69%
	Self + Adult	\$ 262.93	\$ 235.00	(\$27.93)	-10.62%
	Self + Child(ren)	\$ 340.34	\$ 201.00	(\$139.34)	-40.94%
	Self + Family	\$ 340.34	\$ 324.00	(\$16.34)	-4.80%
BCBS POS In-Network <i>Under \$40,000 Salary</i>	Self	\$ 125.40	\$ 104.00	(\$21.40)	-17.07%
	Self + Adult	\$ 262.93	\$ 218.00	(\$44.93)	-17.09%
	Self + Child(ren)	\$ 340.34	\$ 187.00	(\$153.34)	-45.05%
	Self + Family	\$ 340.34	\$ 301.00	(\$39.34)	-11.56%

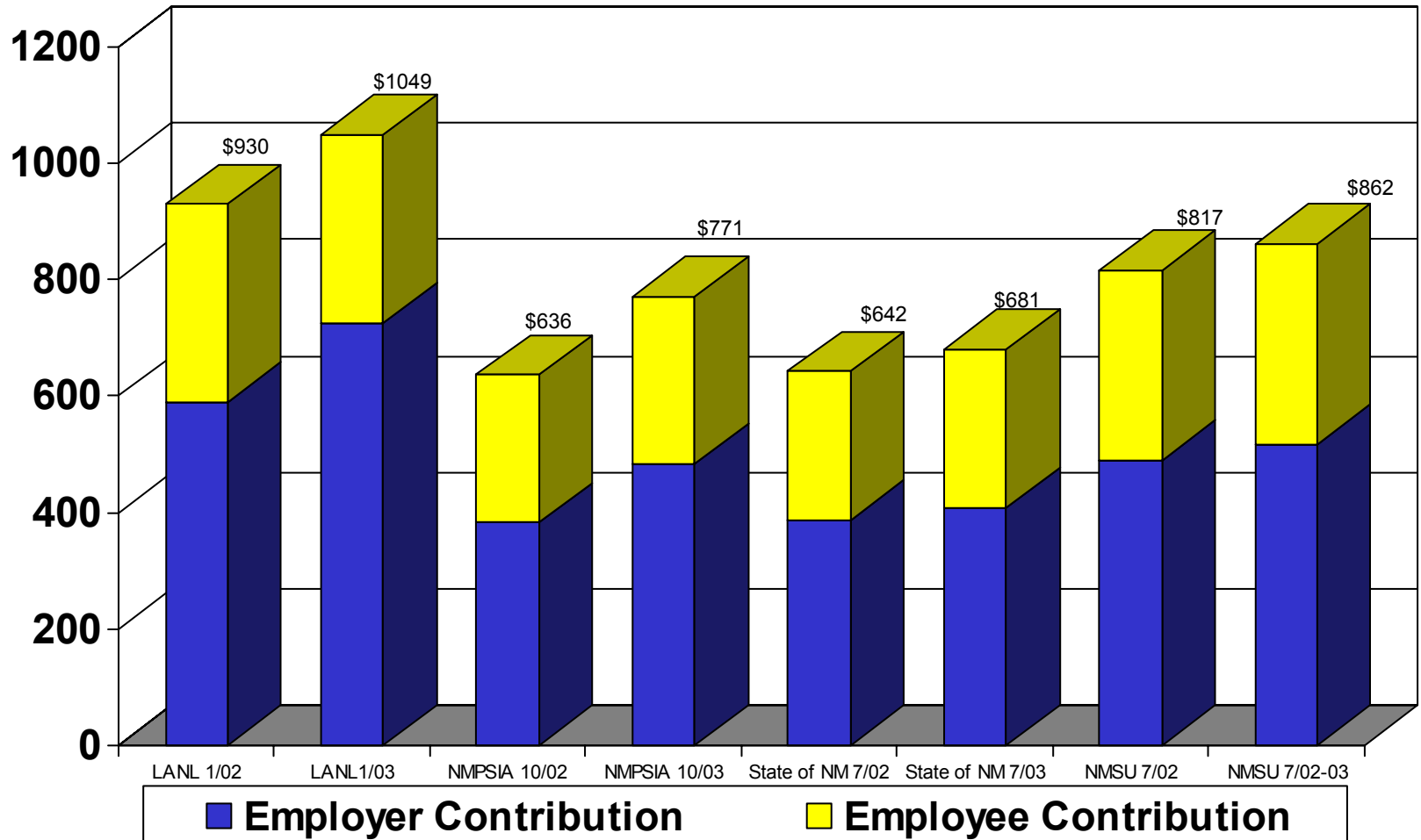
Rate Comparisons 2002 vs 2003

<i>Plan</i>	<i>Coverage</i>	<i>2002</i>	<i>2003</i>	<i>\$ Decrease</i>	<i>% Dec.</i>
BCBS POS Out-of-Network <i>Over \$40,000 Salary</i>	Self	\$ 41.10	\$ 34.00	(\$7.10)	-17.27%
	Self + Adult	\$ 85.89	\$ 71.00	(\$14.89)	-17.34%
	Self + Child(ren)	\$ 112.71	\$ 61.00	(\$51.71)	-45.88%
	Self + Family	\$ 112.71	\$ 98.00	(\$14.71)	-13.05%
BCBS POS Out-of-Network <i>Under \$40,000 Salary</i>	Self	\$ 41.10	\$ 26.00	(\$15.10)	-36.74%
	Self + Adult	\$ 85.89	\$ 54.00	(\$31.89)	-37.13%
	Self + Child(ren)	\$ 112.71	\$ 46.00	(\$66.71)	-59.19%
	Self + Family	\$ 112.71	\$ 75.00	(\$37.71)	-33.46%

NM HMO Family Monthly Premiums



NM POS Family Monthly Premiums



What's Ahead in 2004?

- Health care costs will continue to outpace inflation significantly
- UCOP has a system- wide task force looking at strategies for 2004
- UCOP will likely test the market through a re-bidding process
 - UC re-bid the California plans in 2003
 - UC will be looking for new approaches

What's Ahead in 2004? (cont.)

- We will need to continue to turn all the knobs to control cost escalation
 - Laboratory Promote work/life balance
 - Employees Education, fitness, personal health maintenance
 - Providers Education, medical management
 - Plans Design changes to more accurately direct costs
 - Insurers Improve case and cost management